

Iowa Land Records

March 24, 2005

To: Sue Vande Kamp
Joan McCalmant

From: Phil Dunshee

Re: Government Oversight Committee

You have asked that I briefly address the questions directed to the Iowa County Recorders Association by the Government Oversight Committee.

Disposition of Funds Held By the Association

The Association has entered into agreements with counties to aggregate the purchase of software, maintenance, installation and historical data upload costs. Instead of having the individual counties negotiate separate agreements with their local indexing and imaging service providers, the Association has negotiated master agreements with the local service providers to coordinate work and reduce costs. Based on the terms of these master agreements, the Association invoiced counties for their proportionate share of the cost of these master agreements. The Association is obligated to use these funds to compensate the service providers under the terms of the master agreements. Three local service providers, Solutions, INCODE/CMS and IMAGETek have received a progress payment for their work.

The Association has temporarily retained the balance of the funds reimbursed by the counties until the local service providers complete their work and deliverables under the agreement. Specifically, local service providers are required to deliver a complete indexing or imaging file transfer module and demonstrate through the installation of these modules in several counties that the software works and meets the specifications set by the Association. Service providers are also required to successfully load all 2004 data and 2005 data (to date) during this phase of the project. The project team is currently in the process of acceptance testing. We had previously planned to make the next payment to the local service providers earlier this month. However, we have withheld payment until our acceptance testing process is completed.

When acceptance testing for the local file transfer modules is completed, the Association will be remitting payment to local service providers in the amount of approximately \$574,000. We expect this to occur within the next ten business days. This excludes a 5% retention amount that will be held by the Association pending completion of the project at the end of this fiscal year.

I understand that the Committee is concerned about the amount of deposits in excess of the FDIC limits. While the funds will soon be disbursed to the local service providers,

causing the amount of funds held by the Association to fall well below FDIC limits, the Association has taken steps to temporarily disburse the funds to different accounts.

Deposits have been made as follows:

1. \$100,000.00 Rolling Hills Bank & Trust- Atlantic, IA
2. \$100,000.00 First National Bank- Anita, IA
3. \$100,000.00 Okey Vernon First National Bank- Corning, IA
4. \$100,000.00 First Federal Savings Bank- Corning, IA
5. \$100,000.00 Union Bank- Corning, IA
6. \$112,097.10 First Whitney Bank and Trust - Atlantic, IA

Please understand that these funds will be again aggregated, briefly, when payment is made to the local service providers.

Cost of the Project

The Committee has indicated that the cost of the project appear to be considerably higher in cost than other potential approaches to developing a statewide computerized records system. If you can, please determine the basis for this perception so we may thoroughly respond to their concerns. The following are items to be considered when evaluating the overall cost of the CLRIS/Iowa Land Records project.

- Iowa is building an open source system, not licensing a proprietary system from an out of state vendor that will charge ongoing license and maintenance costs.
- The largest budget category for the project has been the cost of integrating systems with local service providers. Comparisons with respect to the cost of the system itself should be made based on the cost of developing the software, and initial hosting equipment and bandwidth expenses.
- The hourly rates charged by ABC Virtual are lower than their approved rates under state contract.
- Substantial savings were achieved through the aggregated purchasing process. The amount paid to local service providers is meaningfully lower than what was originally requested by the local service providers.

If there are still comparisons being made with the Treasurers project, please know that the scale and complexity of the CLRIS project is much greater. They really are not comparable. A comparison with the Iowa Court Information System would be more appropriate. Further, if there is still the perception that the Treasurers project was "free," because it has been funded by user fees at no additional cost to counties – then it should be noted that the CLRIS project also meets that standard, because the project was funded by user fees at no additional cost to counties.

Again, if there are specific cost comparison issues I would be pleased to help you respond.

With respect to the proposed Audit, we have provided all requested information to the Office of the State Auditor, and we look forward to working with them.